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BOEING ANNUAL REPORT 1967



COVER: Saturn V, world's largest rocket, lifts from launch pad in welter of flame and smoke.

INSIDE COVER: Well on its way, Saturn V leaves fiery tail, illuminates sky and rolling clouds.

BOEING ANNUAL REPORT 1967

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Annual meeting of Boeing stockholders will be held at the offices of the company, Seattle, Washington, on April 29, 1968. Formal notice of the meeting, proxy statement and form of proxy will be sent to stockholders about March 25.

HIGHLIGHTS

	1967	1966
Sales	\$2,879,686,000	\$2,356,567,000
Net earnings	83,938,000	76,133,000
Dividends paid	24,649,000	20,151,000
Net earnings per share*	\$4.10	\$4.13
Dividends paid per share	1.20	1.10
Per cent net earnings to sales	2.9%	3.2%
Shares outstanding at year end	21,597,356	19,496,519
Book value per share	\$34.80	\$28.91
Salaries and wages	\$1,305,137,000	\$1,147,750,000
Average number of employees	142,700	128,500
Additions to property, plant and equipment	\$ 246,500,000	\$ 294,600,000
Depreciation and amortization of property, plant and equipment	72,315,000	40,168,000
Backlog	\$5,892,900,000	\$5,282,600,000

*Based on the average number of shares outstanding during each year.



Everett 747 facility housed 5,000 workers by end of 1967. Site had been a forest 18 months earlier.

PRESIDENT'S MESSAGE

To The Stockholders:

As your company enters its second half century of operation, its 1967 sales reached a record \$2.9 billion. Net earnings of \$83.9 million were the highest in the company's history despite very heavy write-offs of development and other expenses on new commercial programs.

The winning of the Supersonic Transport competition at the year's beginning was followed by governmental, airline and company financing to start the prototype program. Additional reservations of delivery positions were made by airlines. The model 737 twin-jet was certified by the Federal Aviation Administration for passenger service 8½ months after the first flight of this entirely new airplane, and the first of the 727-200 elongated three-jet transports for high density airline routes



was delivered before year end.

The company's backlog reached \$5.9 billion at year end. Delivery of 277 commercial aircraft during the year represented a healthy recovery from the schedule delays of 1966; however the 737 production program did fall behind schedule and

airlines were notified of 30 to 60-day delays expectable during the next several months. It is anticipated that the program will be back on schedule by the end of 1968.

Orders from 22 airlines for the model 747 superjet transport reached 141 as major components took shape at subcontractors' plants, the Wichita Division and the new Everett, Washington facility where the 747 will be assembled. The Everett plant was 80 per cent complete at year end, and the Boeing work force there had increased to 5,000 persons. The production program proceeded substantially on schedule during the year despite decision to seek certification of the aircraft at 710,000 pounds gross weight, up from the originally proposed 680,000 pounds.

Company interest in a so-called "air-bus" continues. Design studies are being carried on and careful analysis of the potential market and competitive situation is being made. On many routes the 727-200 with its 178 passenger capacity already fulfills the criteria established for an air bus. Its operations on the high density Northeast-Florida route are proving highly successful.

Helicopter production at the Vertol Division proceeded on schedule in parallel with continual improvement of current models. Research and design are proceeding on new concepts for vertical and short take-off aircraft.

Boeing was selected by the National Aeronautics and Space Administration for greatly expanded responsibilities in the Apollo/Saturn program. Boeing builds the first stages for the Saturn V rocket and has responsibility for systems engineering, integration and launch support for the entire rocket. The first firing of the enormous Saturn V — a 3,000-ton moon rocket — on November 9 was virtually perfect. In mid-year, NASA also assigned Boeing Technical Integration and Evaluation duties for the rocket and the space vehicle. This Apollo/TIE work required increases in management, engineering efforts and personnel at Cape Kennedy, Florida;

Houston, Texas; Huntsville, Alabama, and Washington, D. C.

The first two successful Lunar Orbiter photo flights around the moon, in 1966, were followed by three others even more successful. The flights provided more information about the moon's surface than had been collected in all history.

Four Burner II upper stage rockets were launched successfully; a new U. S. Air Force short-range attack missile (SRAM) was under construction; the 1000th Minuteman intercontinental ballistic missile was emplaced, and work on Minuteman III began.

Over-all employment continued to rise although at rates much slower than in the previous year. Wichita and New Orleans employment declined slightly but these declines were more than offset by large manpower increases in the Puget Sound area as well as at several other locations. At the year end, total employment exceeded 145,000 persons, with more than 95,000 in the Puget Sound area. While recruitment of qualified engineers and other technical personnel continues, total employment is not expected to increase materially. Contracts between the company and the Wichita and Seattle Professional Engineers Associations have been renewed. Current contracts with the Inter-

national Association of Machinists, representing most of the company's production workers, and with the United Auto, Aerospace and Agricultural Implement Workers of America, representing Vertol Division production employees, expire in October, 1968.

Additional favorable developments in 1967 included: Continued gratifying sales of all commercial aircraft models; satisfactory progress toward completion of the large facilities expansion program commenced several years ago, and successful testing of an advanced water-jet propelled Navy hydrofoil gunboat.

However, many difficult problems are before us: Expiring labor contracts; the danger of spiraling labor and material costs; the effect on commercial sales of threatened restrictions on foreign travel; the effect of unsettled monetary conditions, both domestic and international, and the rising cost of working capital.

In summary, 1967 was a year of gratifying successes on the one hand and of decisions involving substantial risks on the other. The risks, however, point the way to opportunities of major potential. Vigilant management of resources and hard work will be directed toward capitalizing on those opportunities.



President

February 26, 1968



1. 747 engineering mockup took shape while contractors' crews still were hurrying to complete the Everett assembly plant.

2. Model 707-320B serves world's long distance and intercontinental routes. Cargo version meets air freight needs.

4. MINUTEMAN installations were modernized while additional successful test firings showed reliability of intercontinental ballistic missiles.

5. MINUTEMAN III, the newest version, will have greater range and payload, supplement missiles already emplaced.

7. 727-200, stretched version of popular tri-jet, with capacity of 178 persons, won quick certification, then praise from its first passengers and operators.

8. SEA KNIGHT helicopters now serve Marines and Navy, both in land operations and with fleets in Pacific and Atlantic waters.

3. BURNER II is built for the U.S. Air Force and has flown five missions. This year it will be used with an Atlas booster to put 10 research satellites into orbit at once.

6. LUNAR ORBITER provided more information about moon than had been collected in all history, photographing 14 million square miles.

9. SRAM, a short range, supersonic attack missile, will allow bombers to strike at targets while still miles away.

COMMERCIAL AIRCRAFT



THE BOEING JET FAMILY

107. Boeing/Vertol 25-passenger helicopter, cruises at 150 mph, links major airports with center-city heliports.

737-100. Newest and smallest Boeing jetliner, the 737 is the world's most advanced short-range jet. With a cabin as wide as the big Boeings, it's the first jet to bring big-jet comfort to passengers on short-haul routes. The 737-100 can carry up to 101 passengers, cruise at 580 mph, and operate quietly and efficiently from close-in airports of smaller communities.

737-200. Six feet longer than the 737-100. Can carry up to 113 passengers.

727-100. Most popular of today's jetliners, the Boeing 727 trijet serves short-to-medium routes throughout the U.S. and the world. Carries up to 131 passengers at cruise speeds to 605 mph. There's a convertible "C" model; and also a "QC" (for quick change) model that can be converted in 30 minutes from luxury passenger jet to spacious freighter, or any combination. As cargo jets, the "C" and "QC" models can handle eight standard commercial pallets.

720. Smallest of the Boeing four-engine jets, the 720 serves intermediate-range routes. "B" model, equipped with fanjet engines, is one of the fastest in service, with maximum cruise speed of 620 mph.

707-120. America's first jetliner, the 707 revolutionized air travel across continents and oceans. Designed mainly for transcontinental routes, can carry up to 179 passengers.

707-320 Intercontinental. Biggest Boeing jet in service, the 707 Intercontinental serves the world's longest scheduled nonstop routes. Can carry up to 180 passengers and fly more than 6,000 miles nonstop. "B" models are powered by fanjet engines. "C" models are quickly convertible into cargo or combination cargo-passenger configurations. As a freighter the -320C can carry 13 standard pallets (or up to 96,800 pounds).

727-200. Long-body version of the 727 Trijet, designed for high-density, commuter routes. Has same sparkling performance as the 727. In peak load, jet-bus configuration, can carry up to 178 passengers.

747. Now being built, the Boeing 747 superjet is the largest airplane ever designed for commercial service. It will carry up to 490 passengers at faster speeds than today's jets. The 747 will usher in an entirely new era of elegance and luxury in air travel, with the most spacious cabins, commodious lounges and staterooms in the sky.

SST. Flying three times as fast as today's jetliners, the Boeing SST will dramatically shrink distances and travel times. SST time, New York to London: 2 hours, 40 minutes. Los Angeles to New York: 2 hours. Boeing SST will carry 300 passengers in luxurious comfort.

Delivery of 277 airplanes during the year included the 500th of the 727 tri-jet series and the 1,000th commercial jetliner since the first delivery in 1958. The record delivery of 277 aircraft represented not only a recovery from end-of-the-year production delays on 707s, 720s and 727s in 1966 (principally caused by engine shortages) but also put the factory five planes ahead of the revised production goals set a year earlier.

Other major milestones included certification by the Federal Aviation Agency of the 737 and the 727-200. Following certification of the two-engined 737, Deutsche Lufthansa Airlines accepted delivery of the first 100 series and the first of the 200 series was delivered to United Air Lines. Two additional 737s were delivered to Lufthansa before the year end. Orders for 188 737s have been received from 20 domestic and overseas airlines.

Testing of the two versions of the 737 for FAA certificates was accomplished with a six-plane fleet which logged nearly 1,400 hours in the air during eight months. Of 1,300 flights, only 20 were delayed for mechanical reasons, a percentage significantly lower than that recorded for the very successful 727 model. Included were 49 flights made over a period of six days in November in the difficult weather of the major East Coast airlines to demonstrate the craft's functional and reliability merits for airline service. The 737s, with individual passenger accommodations paralleling those available in 707/727 Boe-



A black and white aerial photograph of a Boeing 737 aircraft in flight. The plane is angled downwards, showing its underside and the city below. The vertical stabilizer (tail fin) features the "737" model name in white. The fuselage has the word "BOEING" and a series of small circular windows. The background consists of a cloudy sky and the urban landscape of Seattle, Washington, with recognizable landmarks like the Space Needle visible through the haze.

737

BOEING



Twin-engined 737 went into service. Smallest Boeing jetliner, it is designed for service on short segment routes and to bring jet speed and comfort to smaller communities.

ing jet liners, also have proved exceptionally easy to operate. The first 37 airline pilots qualifying as 737 captains did so after approximately half as much time in the cockpit as was required for familiarization with previous Boeing jet liners.

Load carrying capability of the 737 is substantially greater than had been promised and short field capabilities exceed expectations. As an example, in high altitude tests the 737 required 15.5 per cent less runway for take-off at 5,300 feet above sea level than had been expected. These capabilities will allow operators increased flexibility in route planning and in coordinating 737 and 727 scheduling.

All indications are that the 727-200, long-body version of the three-engine transport, will equal the popularity of the 100 series. It can carry up to 178 passengers. First of the long-bodied 727s was delivered to Northeast Airlines.

New commercial orders received during 1967 included 92 for the 707/720 series airplanes, 119 for 727s, 64 for 737s and 53 for 747s. The 747 orders were from 13 airlines, including several which previously never had bought Boeing aircraft and three 747 customers who increased their orders.

Actual production work on the 747 started in May at the new Everett, Washington facility, just over a year after initial announcement of the program. By the year



Engineering mockup for 747 was built at Everett even before building housing it was completed.

end, the huge principal assembly building was 95 per cent complete, with production crews working in all areas. Nine other buildings were finished and remaining construction was on schedule.

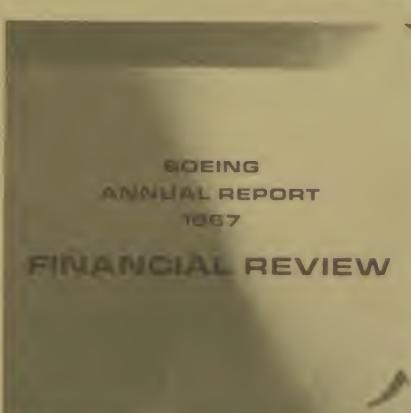
The company announced in mid year that it would increase its projected peak delivery rates for the 747 from seven to eight and one-half planes a month to accommodate

demands for early delivery of the new airplanes.

During the year, the company participated in numerous individual and world-wide conferences with airline and airport officials, assisting them in planning facilities to accommodate the 747, as well as the later-developing supersonic transports.

An over-all review of the commercial jet program since its incep-

tion shows total orders for 1,808 airplanes up to year end 1967. Of this total 645 remained to be delivered. More than 1,100 Boeing-built aircraft in service have carried a total of 246 million passengers and have flown more than five billion two hundred million miles. A total of 78 airlines throughout the world operate Boeing jet aircraft or have them on order.



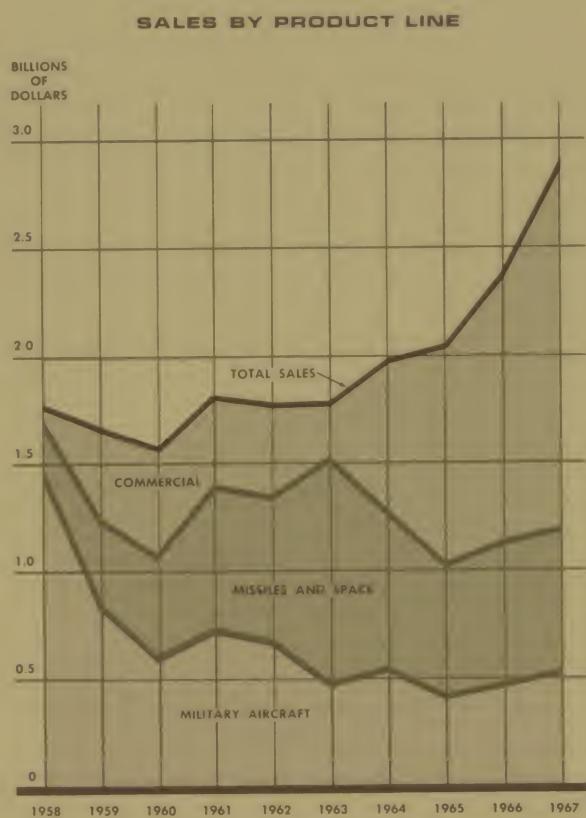
SALES (<i>in millions</i>)	1967	1966
Commercial	\$1,702	\$1,232
Missiles and Space	670	655
Military Aircraft	508	470
Total	<u>\$2,880</u>	<u>\$2,357</u>

With deliveries of commercial jet transports increasing substantially over the prior year and with sales to the U. S. Government at a somewhat higher level, total sales of more than \$2.8 billion were approximately \$500 million higher than in 1966. Jet transport deliveries in 1967 included 155 727s, 118 707/720s, and 4 737s. Seven of the 727s were the new long-body -200 series. Deliveries included 14 727s and one 707 under lease arrangements. Forty-one 727s and 6 707/720s were under lease at year end with no further leases currently scheduled. In 1966, 135 727s and 83 707/720s were delivered, of which 22 727s and one 707 were leased. Included in the sales total is \$43 million relating to the supersonic transport program.

Sales to the United States Government of

\$1,178 million were approximately \$53 million higher than 1966. Minuteman program sales of \$338 millions were about the same as reported for the prior year. Increased responsibilities on the Apollo/Saturn program resulted in sales of \$250 million being somewhat higher than 1966. The increase in sales on SRAM, the supersonic short-range attack missile program, to the \$43 million level more than offset the reduction in Lunar Orbiter sales which declined to \$17 million. On military aircraft programs, sales of Sea Knight and Chinook helicopters increased approximately \$95 million to \$385 million. Such increase more than offset the reduction to approximately \$96 million in B-52 modification and maintenance sales.

Based on current programs and production schedules, 1968 sales should be higher than 1967 by reason of increased commercial jet transport deliveries. Schedules call for the delivery of approximately 110 707s, 165 727s, and 110 737s. The total of approximately 385 deliveries compares with 277 for 1967. Sales to the United States Government in 1968 will be somewhat lower than in 1967. Increased Apollo/Saturn and SRAM missile sales should offset the scheduled reduction in sales on Minuteman and Lunar Orbiter, with total missile and space sales in 1968 remaining at approximately the 1967 level. Reduced deliveries on the Sea Knight and Chinook helicopter programs and a further reduction in activity on the B-52 modification and maintenance programs will result in 1968 military aircraft sales being approximately \$100 million below the 1967 level.



EARNINGS

	1967	1966
Net earnings (<i>in millions</i>)	\$83.9	\$76.1
Profit margin	2.9%	3.2%
Earnings per share	\$4.10	\$4.13

Earnings in 1967 were the highest in the company's history. Favorably affecting earnings during the year were increased deliveries of 707/720 and 727 jet transports, realization of significant cost and performance incentive earnings on government programs and the progress that was made in increasing the overall efficiency of the company's operations.

Earnings attributable to the above factors

more than offset the increase in the very heavy write-offs of developmental and other expenses on new commercial programs. 1967 earnings per share, which are based on the average number of shares outstanding during the year, remained about the same as 1966 by reason of the increased number of shares outstanding.

With activity on the 737 short-range jet program at an extremely high level, and with technical, schedule and production problems having been encountered during the year, the aggregate amount of charges against earnings on the 737 program was higher than in the prior year. Design, developmental and initial production activities on the 747 program were accelerating during the year and additional costs were incurred in order to meet schedules and to support the decision to seek certification at 710,000 pounds gross weight at a date earlier than had been originally anticipated.

Charges against earnings on the 747 program in 1967 were therefore substantially higher than those in 1966.

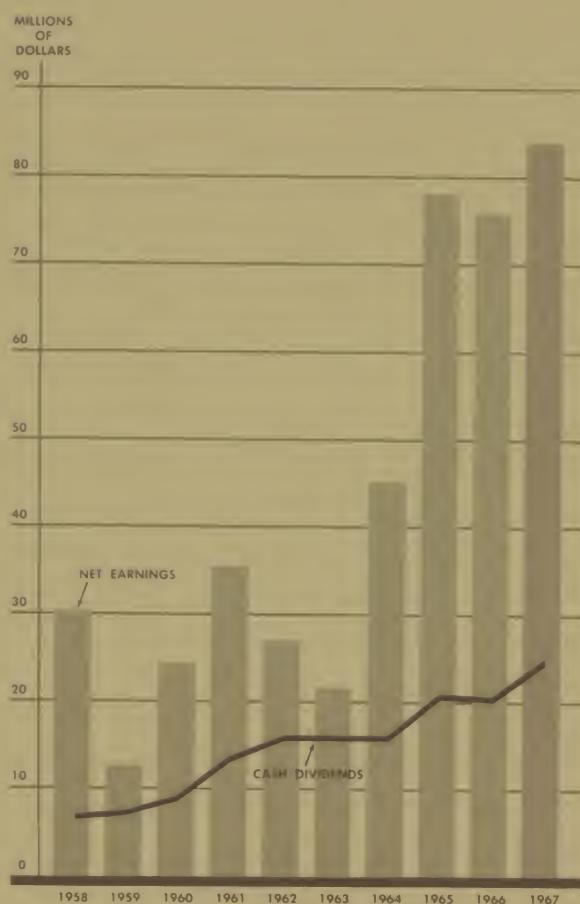
As discussed in last year's report, the company during 1966 was involved in a massive labor and facilities expansion program to meet the substantially increased requirements relating to existing programs and the new requirements of the 737 and 747 jet transport programs, the SRAM missile program, the supersonic transport prototype program and research and developmental activities necessary to compete most effectively for new government and commercial programs. At that time it was pointed out that operational performance and, in turn, program cost and earnings performance were being adversely affected by the reduction in efficiency that goes with major expansion programs undertaken in a relatively limited time period, especially when the over-all national productive capacity is concurrently being substantially expanded.

Although at a lower level, effort in support of the company's expansion program continued during 1967. Employment increased more than 12,000 over the prior year end level, and facilities expansion continued at an average \$20 million dollars-a-month pace. By year end, total employment was stabilized with significant progress having been made in increasing the skill level of the work force and a major

portion of the scheduled facilities expansion program had been accomplished. To meet the demands of the company's substantially expanded operations, and the attendant re-alignment of the organizational structure in certain areas, an aggressive program directed toward the strengthening of management systems and controls was under way throughout the year.

The profitability of the commercial jet transport program, as reflected by reported annual earnings, is influenced by such factors as production rate and production cost trends, costs relating to model improvement programs and to the introduction of new models and competitive conditions. These factors make forecasts of profitability from year to year most difficult. Such forecasts cannot be a straight extrapolation of previous trends but must take into consideration the effect on earnings of

NET EARNINGS AND CASH DIVIDENDS



costs incurred and risks assumed in maintaining the company's competitive position in the free world jet aircraft market.

With an increased number of 727s scheduled for delivery and with completion of the 727-200 developmental, flight test and certification programs, earnings from this program should be substantially higher than in 1967. Although there will be a small reduction in the number of 707s delivered, continued improvement in cost performance could result in 1968 earnings on the program being equal to or somewhat better than in 1967. The projected decrease in government sales in 1968 will result in the aggregate earnings on government missile, space and aircraft programs being lower than 1967.

The technical, schedule and operational problems encountered on the 737 program will result in continued charges against earnings in 1968, although at a much lower level than in 1967. On the 747 program, the continued acceleration of activity, when combined with heavy developmental and testing efforts, will result in charges against earnings being higher than in 1967.

Since further testing and design improvement work is desirable before proceeding with the construction of the SST prototypes, it is expected that the 1968 rate of expenditure on

this program (in which the company shares 10 per cent) will not substantially exceed the 1967 expenditure rate.

Interest expense on the extremely heavy borrowing requirements will continue at a high level.

FINANCIAL POSITION

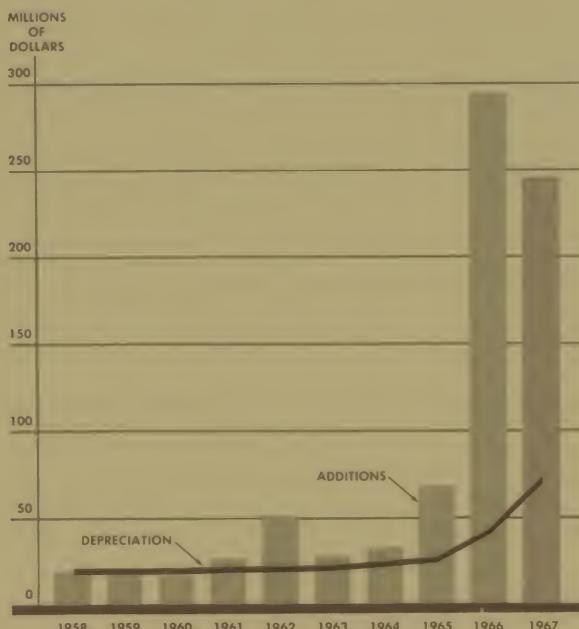
Substantial additional capital resources were required in 1967 to support the continuation of the facilities expansion program, the discharge of jet transport financing commitments and working capital requirements on commercial jet transport and government programs. During the year, the remaining \$106.5 million of the \$175 million of senior unsecured notes, for which purchase commitments had been negotiated with a group of institutional lenders in 1966, were issued. \$40 million of the notes were originally scheduled for issue in 1968.

In the latter part of the year, the company's over-all bank credit arrangements were significantly strengthened through increasing the total credit line from \$401 million to \$500 million and increasing the number of banks in the line from 24 to 41. The \$500 million bank credit includes a \$200 million revolving credit agreement which provides for the extension of that amount of credit to the company through December 31, 1969, at which time the outstanding borrowings become a term loan payable over a three-year period. The remaining \$300 million of bank credit is formalized under a written agreement committing the banks to continue such line of credit for a 12-month period with the provision that unless the company is otherwise notified, such commitment will on a weekly basis be extended for an additional 12-month period. At December 31, the company was fully utilizing the \$200 million revolving credit and \$51 million under the second bank credit agreement.

To further strengthen the company's over-all financial position, \$129,808,600 principal amount of 5½% convertible subordinated debentures were converted into 2,044,183 shares of capital stock by a call for redemption of the debentures in July, 1967.

Requirements for facilities expansion and jet transport financing in 1967 exceeded internally generated funds and new long-term debt, with the result that working capital of \$358 million

PROPERTY, PLANT AND EQUIPMENT



at the end of 1967 was approximately \$76 million lower than the prior year-end level. With gross facilities additions of \$247 million, and a depreciation allowance of \$72 million, the company's net investment in property, plant, and equipment increased by \$175 million to \$601 million at year end. Jet transport financing, which includes long-term notes receivable from customer airlines and the depreciated cost of leased aircraft, totaled \$363 million at year end, an increase of \$153 million over 1966.

A summary of sources and uses of funds during the year follows:

Sources (in millions)

Net earnings	\$ 83.9
Depreciation of plant	72.3
New long-term debt	149.4
Decreased working capital	76.0
Deferred income taxes /investment credit	47.3
Other6
Total	<u>\$429.5</u>

Uses (in millions)

Additions to plant and equipment	\$246.5
Increased jet transport financing	153.0
Cash dividends paid	24.6
Payments on long-term debt	5.4
Total	<u>\$429.5</u>

Looking to the future, the financing that has been arranged should be adequate to accomplish currently planned programs. Although expenditures for facilities will continue at a high level, the expenditure projection of approximately \$150 million for 1968 is substantially below the levels experienced in the last two years. Major requirements relate to additional increments of the 747 production facility, facilities necessary for the prototype phase of the supersonic transport program and building additions and equipment for the central fabrication facility. With a major portion of the current aggregate dollar commitments for jet transport financing having been discharged, the additional commitments necessary to support aircraft sales programs will be substantially below the levels experienced in 1966 and 1967. It is the intent of the company to dispose of certain notes receivable

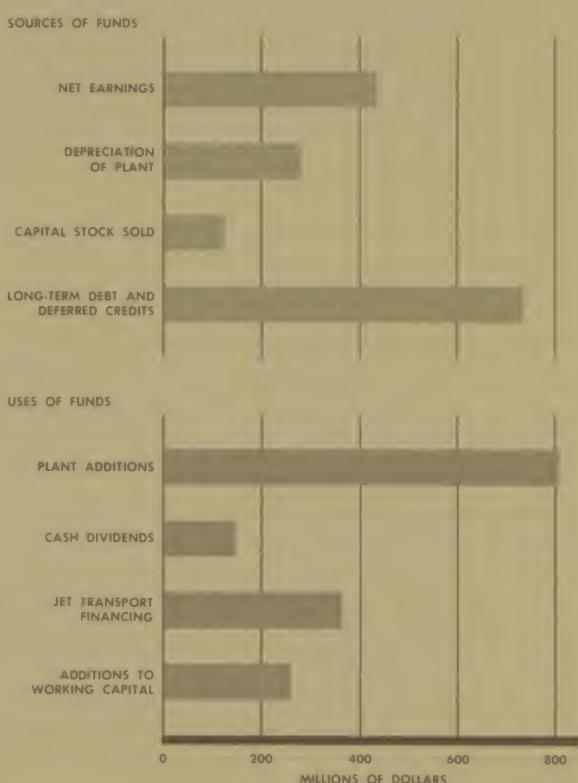
and lease contracts at the earliest date practicable.

BACKLOG (*in millions*)

	<i>1967</i>	<i>1966</i>
Commercial	\$5,144	\$4,446
Missiles and Space	376	387
Military Aircraft	373	450
Total	<u>\$5,893</u>	<u>\$5,283</u>

Backlog of unfilled commercial orders at the end of 1967 was approximately \$700 million higher than the previous year end, while the government order backlog decreased by approximately \$90 million. As stated in previous reports, unfilled orders from the U. S. government are limited to amounts obligated to contracts by the procuring agencies. If recognition were given to unfunded amounts believed to be firmly established in Department of Defense and NASA procurement plans, unfilled orders would be substantially increased.

FUNDS STATEMENT 1958 - 1967



TEN YEAR COMPARA

Dollars (other than per s

SALES, EARNINGS AND DIVIDENDS

	SALES	EARNINGS BEFORE INCOME TAXES		NET EARNINGS			CASH DIVIDENDS	
		AMOUNT	% OF SALES	AMOUNT	% OF SALES	PER SHARE	AMOUNT	PER SHARE
1967	\$2,880	\$144.4	5.0	\$83.9	2.9	\$4.10	\$24.6	\$1.20
1966	2,357	140.6	6.0	76.1	3.2	4.13	20.2	1.10
1965	2,023	149.6	7.4	78.3	3.9	4.78	20.3	1.25
1964	1,969	89.0	4.5	45.3	2.3	2.82	16.0	1.00
1963	1,771	44.9	2.5	21.7	1.2	1.35	16.0	1.00
1962	1,769	56.3	3.2	27.2	1.5	1.70	16.0	1.00
1961	1,801	73.9	4.1	35.7	2.0	2.23	13.5	.85
1960	1,555	51.8	3.3	24.5	1.6	1.53	9.1	.57
1959	1,649	26.4	1.6	12.7	0.8	.80	7.4	.46
1958	1,752	63.4	3.6	30.2	1.7	1.91	7.0	.45

FINANCIAL POSITION DATA

	WORKING CAPITAL	LONG- TERM NOTES	LEASED AIRCRAFT	PLANT AND EQUIPMENT		LONG-TERM DEBT AND DEFERRED CREDITS	STOCKHOLDERS' INVESTMENT	
				AT COST	NET		AMOUNT	PER SHARE
1967	\$358	\$249	\$114	\$915	\$601	\$574	\$752	\$34.80
1966	434	124	86	672	426	513	564	28.91
1965	266	20	14	380	172	104	372	22.70
1964	255	1	29	315	130	113	306	19.06
1963	245	9	17	285	121	117	276	17.24
1962	197	13	10	261	115	66	270	16.89
1961	178	25	32	214	86	65	258	16.19
1960	199	17	8	189	81	71	236	14.81
1959	204	2	—	172	83	71	221	13.84
1958	197	—	—	155	85	71	213	13.46

Notes: All per share data adjusted to reflect stock dividends and stock splits; 1966 and 1967 net earnings per share based on the average number of shares outstanding during each year; prior years based on number of shares outstanding at end of respective years. Vertol Aircraft Corporation, acquired in 1960, included in data for prior years.

ATIVE FINANCIAL DATA

(share amounts) in millions

PRINCIPAL SOURCES AND USES OF FUNDS

SOURCES				USES				
NET EARNINGS	DEPRECIATION OF PLANT	CAPITAL STOCK SOLD	LONG-TERM DEBT AND DEFERRED CREDITS	CASH DIVIDENDS	ADDITIONS TO PLANT	INCREASED AIRCRAFT FINANCING	INCREASED WORKING CAPITAL	
\$83.9	\$72.3	\$ 1.9	\$191.3	\$24.6	\$246.5	\$153.0	(\$ 76.0)	1967
76.1	40.2	113.1	431.4	20.2	294.6	176.2	167.5	1966
78.3	25.5	1.4	(2.8)	20.3	67.8	3.7	11.3	1965
45.3	24.7	0.8	(4.1)	16.0	33.6	4.5	9.6	1964
21.7	21.6	0.7	51.3	16.0	28.2	3.1	48.2	1963
27.2	21.0	0.3	1.0	16.0	50.1	(34.7)	19.0	1962
35.7	20.6	0.2	(5.9)	13.5	26.8	32.4	(20.7)	1961
24.5	19.4	—	—	9.1	17.4	22.3	(4.7)	1960
12.7	19.5	2.2	—	7.4	18.1	2.5	7.0	1959
30.2	19.1	3.1	70.6	7.0	19.5	—	94.8	1958

GENERAL INFORMATION

SHARES OUTSTANDING	BACKLOG	FLOOR AREA (In Million Square Feet)			EMPLOYEES		
		BOEING OWNED	LEASED	GOV'T OWNED	AVERAGE NUMBER	SALARIES AND WAGES	
21,597,356	\$5,893	22.9	4.3	10.7	142,700	\$1,305	1967
19,496,519	5,283	19.9	3.6	10.6	128,500	1,148	1966
16,374,280	3,148	12.5	2.5	11.4	93,400	813	1965
16,073,972	1,844	11.3	2.1	11.2	90,900	758	1964
16,025,136	1,815	11.1	2.0	11.2	100,400	803	1963
15,984,752	1,620	10.8	2.3	10.8	104,100	768	1962
15,964,860	1,869	7.2	1.9	11.8	89,800	629	1961
15,943,294	2,139	6.6	1.7	11.4	81,700	556	1960
15,941,280	2,018	6.4	1.8	11.7	92,300	579	1959
15,537,470	2,470	6.1	2.2	11.7	95,300	566	1958

ASSETS

	<i>December 31,</i>	
	<i>1967</i>	<i>1966</i>
CURRENT ASSETS		
Cash	\$ 64,042,000	\$ 72,240,000
Amounts receivable under United States Government contracts	140,288,000	166,333,000
Refundable taxes on income		17,427,000
Other accounts and notes receivable	64,124,000	39,982,000
Inventories	784,042,000	501,650,000
Prepaid expenses	10,168,000	4,350,000
Total Current Assets	\$1,062,664,000	\$ 801,982,000
 LONG-TERM NOTES RECEIVABLE		
	\$ 248,701,000	\$ 124,396,000
LEASED AIRCRAFT , at cost, less accumulated depreciation:		
1967, \$52,098,000; 1966, \$33,403,000	114,350,000	85,673,000
OTHER ASSETS AND DEFERRED CHARGES	3,498,000	5,977,000
 PROPERTY, PLANT AND EQUIPMENT , at cost:		
Land	\$ 26,367,000	\$ 23,834,000
Buildings	443,166,000	316,495,000
Machinery and equipment	391,586,000	252,968,000
Construction in progress	53,570,000	78,586,000
Less accumulated depreciation and amortization	(313,462,000)	(245,392,000)
	\$ 601,227,000	\$ 426,491,000
	\$2,030,440,000	\$1,444,519,000

BALANCE SHEET

LIABILITIES AND STOCKHOLDERS' INVESTMENT

	<i>December 31,</i>	
	1967	1966
CURRENT LIABILITIES		
Notes payable to banks	\$ 51,000,000	\$ —
Accounts payable	489,544,000	241,710,000
Salaries and wages, taxes, and other accrued expenses	146,225,000	120,590,000
Federal taxes on income	5,698,000	
Current portion of long-term debt	<u>11,946,000</u>	<u>5,432,000</u>
Total Current Liabilities	\$ 704,413,000	\$ 367,732,000
DEFERRED TAXES ON INCOME	\$ 47,123,000	\$ 23,997,000
DEFERRED INVESTMENT CREDIT	46,800,000	22,600,000
LONG-TERM DEBT, less current portion	480,512,000	466,533,000
 STOCKHOLDERS' INVESTMENT:		
Capital stock, par value \$5 a share —		
Authorized, 30,000,000 shares		
Issued and outstanding at stated value: 1967, 21,597,356 shares; 1966, 19,496,519 shares	\$ 443,859,000	\$ 315,213,000
Retained earnings	<u>307,733,000</u>	<u>248,444,000</u>
	\$ 751,592,000	\$ 563,657,000
	<u>\$2,030,440,000</u>	<u>\$1,444,519,000</u>

See notes to consolidated financial statements.

**CONSOLIDATED STATEMENT OF
NET EARNINGS AND RETAINED EARNINGS**

	Year ended December 31,	
	1967	1966
Sales	\$2,879,686,000	\$2,356,567,000
Other income	31,299,000	21,573,000
	<u>\$2,910,985,000</u>	<u>\$2,378,140,000</u>
Costs and expenses	\$2,734,282,000	\$2,227,102,000
Interest and debt expense	32,265,000	10,405,000
Federal taxes on income	60,500,000	64,500,000
	<u>\$2,827,047,000</u>	<u>\$2,302,007,000</u>
NET EARNINGS	\$ 83,938,000	\$ 76,133,000
Retained earnings, January 1	248,444,000	235,777,000
Amount transferred to capital stock in connection with two-for-one stock split (\$5 per share par value for new shares)	(43,315,000)	
Cash dividends paid (per share, 1967, \$1.20; 1966, \$1.10)	(24,649,000)	(20,151,000)
Retained earnings, December 31	<u>\$ 307,733,000</u>	<u>\$ 248,444,000</u>
Net earnings per share (based on the average number of shares outstanding during each year)	\$4.10	\$4.13

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

INVENTORIES:

Work in process on military fixed-price incentive type contracts is stated at the total of direct costs and overhead applicable thereto, less the estimated average cost of deliveries based on the estimated total cost of the contracts. Work in process on straight fixed-price contracts is stated in the same manner, except that applicable research, developmental, administrative and other general expenses are charged directly to earnings as incurred, and basic engineering and planning costs applicable to commercial jet transport programs are also charged directly to earnings. At December 31, 1967, work in process aggregated \$1,566,527,000, less advances and progress payments of \$844,065,000.

To the extent that estimated program costs, determined in the above manner, are expected to exceed total sales price, charges are made to current earnings in order to reduce work in process to estimated realizable value.

Commercial spare parts and general stock materials, aggregating \$61,580,000, are stated at average cost, not in excess of realizable value.

FEDERAL INCOME TAXES:

Income taxes have been settled with the Internal Revenue Service for all years through 1963, except for certain pending refund claims which have not been recorded in the accounts. Adequate provision for income taxes is believed to have been made for the years 1964 through 1967. The deferred Federal income tax liability stated in the balance sheet represents the noncurrent portion of taxes payable on earnings from installment sales of commercial aircraft.

LONG-TERM DEBT:

	December 31,	
	1967	1966
Revolving Credit notes	\$200,000,000	\$180,600,000
6 1/2% notes payable	175,000,000	68,500,000
5% notes payable	44,500,000	47,250,000
5% Sinking Fund Debentures	23,807,000	26,501,000
Other notes	49,151,000	19,155,000
5 1/2% Convertible Subordinated Debentures	129,959,000	
Less current maturities	(11,946,000)	(5,432,000)
	\$480,512,000	\$466,533,000

Under a Revolving Credit Agreement with a group of banks, the outstanding balance at December 31, 1969 is repayable over the three-year period ending December 31, 1972. These loans bear interest at the prime commercial bank rate until December 31, 1969 (currently 6%), and thereafter at 1 1/4% above such rate. Borrowings under the agreement may be prepaid at any time without penalty.

The 6 1/2% notes, maturing in 1986, are payable to a group of institutional lenders. Required annual sinking fund payments commencing in 1971 are \$10,750,000.

The 5% notes, maturing in 1983, are payable to an insurance company in annual installments of \$2,750,000.

Sinking fund requirements under the 5% Sinking Fund Debentures, due in 1978, are \$2,700,000 annually. Debentures aggregating \$2,693,000 have been reacquired and may be applied against future sinking fund requirements.

The other notes bear interest at 6% to 7 1/2% and are payable in installments over various periods through 1977.

The company has complied with all of the restrictive covenants contained in the various debt agreements.

OPERATING CHARGES:

The following charges were incurred in the years ended December 31:

	<u>1967</u>	<u>1966</u>
Depreciation and amortization of plant and equipment (principally sum-of-the-years-digits method)	\$72,315,000	\$40,168,000
Depreciation of leased aircraft (sum-of-the-years-digits method)	20,919,000	9,878,000
Retirement plan	35,611,000	35,497,000

CAPITAL STOCK:

Changes in capital stock during the year were as follows:

	<u>Shares</u>	<u>Amount</u>
Balance at January 1, 1967	19,196,519	\$315,213,000
Shares sold to officers and employees—		
Under stock option plan	46,254	938,000
Under incentive compensation plan	10,400	997,000
Shares issued in exchange for Convertible Subordinated Debentures	2,044,183	126,711,000
Balance at December 31, 1967	21,597,356	\$443,859,000

STOCK OPTIONS:

At December 31, 1967, options for 196,850 shares of the company's stock, at prices ranging from \$15.25 to \$63.50, were outstanding, of which 29,360 shares were exercisable. During 1967, 46,254 shares were issued upon exercise of options, no additional options were granted and options for 3,180 shares were canceled.

An additional 43,346 shares are available for future grants under the restricted stock option plan.

CONTINGENT LIABILITIES:

Substantially all of the company's contracts with the Government are subject to renegotiation under the Renegotiation Act of 1951. Renegotiation Board proceedings for all years through 1963 have been concluded. The company does not know and cannot predict what the Board's action will be for 1964 and subsequent years. In view of this uncertainty, and the belief of the company that no excessive profits were realized, no provision for renegotiation refund has been made for these years.

The company is engaged in various legal proceedings which in some instances involve claims for substantial amounts. Most of these claims are covered by insurance, and the company does not anticipate that the amounts, if any, which may be required to be paid by the company will be material.

ACCOUNTANTS' REPORT

TOUCHE, ROSS, BAILEY & SMART

1212 IBM BUILDING
SEATTLE, WASHINGTON 98101

February 26, 1968

Board of Directors
The Boeing Company
Seattle, Washington

We have examined the accompanying consolidated balance sheet of The Boeing Company and subsidiaries as of December 31, 1967 and the related statement of net earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were unable to obtain satisfactory confirmations of receivables from the United States by direct communication, but we satisfied ourselves as to such accounts by other auditing procedures.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of The Boeing Company and subsidiaries at December 31, 1967 and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Also, in our opinion, the action of the Board of Directors on February 26, 1968, in setting aside the sum of \$2,100,000 for the year 1967 under the Incentive Compensation Plan for Officers and Employees, is in conformity with the provisions contained in the first paragraph of Section 2 of such plan.

Touche, Ross, Bailey & Smart

Certified Public Accountants



U.S. supersonic jetliner by mid-1970s will carry more than 300 passengers between New York and London in two hours and 40 minutes at 1800 mph.

SST DEVELOPMENTS

Design refinements of the American Supersonic Transport—the results of exhaustive testing and an established company policy of proceeding at a pace commensurate with good technical and cost management—represented the principal development in the program during the year. The company's titanium facility, most extensive in the industry, is complete and in use, and all major SST subcontractors have been selected. But the company has deferred rapid build-up of personnel or material inventories both within Boeing and in plants of subcontractors until it is clearly established

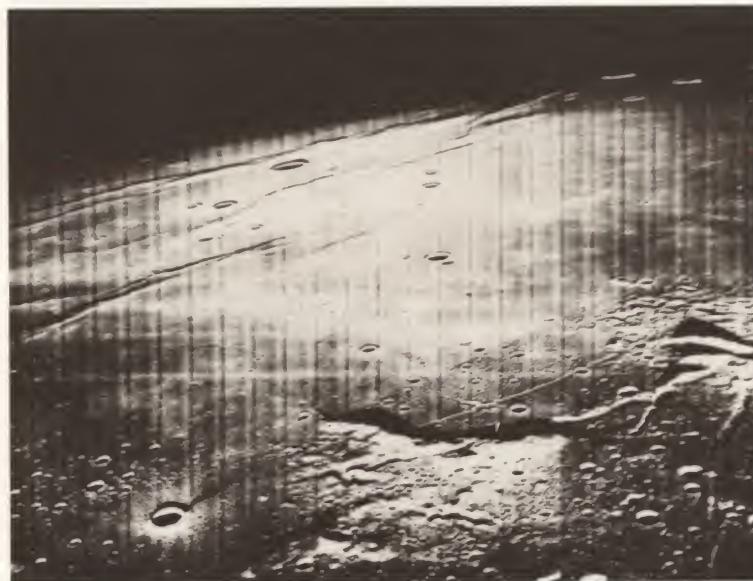
that the prototype design will provide an appropriate basis for a production SST.

The display mockup, visited by some 60,000 persons since its unveiling in mid-1966, was dismantled as the program required other uses for space in the Developmental Center at Seattle. An addition to the high bay area—where the two prototypes will be assembled—is scheduled. As part of the \$102.6 million in facilities planned for the prototype program, a hydraulic components building, an SST flight simulator and other buildings and equipment are under construction.

Delivery positions for 125 production airplanes have been reserved by 26 airlines, although the company's present contracts with the Federal Aviation Administration extend only to the design, construction and flight testing (100 hours) of two prototype machines.

Continued design work and incorporation of new concepts which have been evolved through the SST project and a parallel company-financed design study will delay the first flight of the prototype. The expected improvements will provide a better foundation for the follow-on production program.

SPACE PROGRAMS



Lunar Orbiter photos make craters of the moon as familiar as earth landscape. This picture, showing a secondary Apollo landing site, was taken from an altitude of 32 miles.

Singular successes achieved during the last year have brought the Boeing company to a position of leadership in space activities.

Three Boeing-built Lunar Orbiters completed successful photo missions to the moon during 1967. The mammoth Apollo/Saturn V rocket, for which the company furnished major first-stage components, was fired for the first time, and four Boeing-designed and built Burner II upper-stage rockets were successfully launched.

Boeing designed, built and tested the Lunar Orbiter vehicles and provided personnel who helped to manage the moon orbital flights. Two 1966 flights and a third early in 1967 accomplished the primary mission of obtaining detailed photographs of possible sites for landing of Apollo astronauts.

Orbiter IV photographed 99.5 percent of the moon's front face and Orbiter V completed picture coverage of the far side as well as photo-

graphing 36 sites of particular scientific interest. The five spacecraft photographed more than 14 million square miles. As a result, NASA has selected eight possible sites for lunar landings.

In the first flight of the Saturn V, the three-stage 3,000-ton moon rocket was launched November 9 from Cape Kennedy with virtually the whole world looking on through television coverage relayed by satellite.

All stages performed on schedule, the orbit was nearly perfect and the unmanned Apollo capsule splashed down in the Pacific Ocean six miles from the recovery ship. As a result, NASA officials predicted moon landings could be achieved by the end of the decade.

Boeing builds the first stage of the 363-foot-high Saturn V rocket in New Orleans. Company personnel at Huntsville, Alabama, and Cape Kennedy are responsible for systems engineering and integration of the

entire rocket and pre-launch support during final assembly and checkout. In 1967, the company was assigned, under NASA direction, technical integration and evaluation responsibilities for the rocket and the Apollo command, service and lunar modules. This brought direct employment on the Apollo/Saturn program to more than 10,000 persons.

Boeing presently is under NASA contract to produce 13 first-stage flight vehicles and two test stages. The original contract was received in 1963 and subsequent related awards have boosted the value of the work to more than a billion dollars.

In late 1967, NASA announced an Apollo schedule of six flights in 1968 and five in 1969. The Saturn V will be used on three 1968 flights (the smaller Saturn IB will be used on the other three), and the third launch of the Saturn V in 1968 is scheduled to be the first manned flight with the huge booster.

Five manned flights using the

Assembly building for Saturn V towers above Florida landscape. Viewed from its top, buildings, machines and men are dwarfed.

Saturn V are scheduled for 1969 and the final flight in this series could be the one which lands the Apollo astronauts on the moon.

Burner II, a small but important item in the space propulsion business, is built by Boeing for the U.S. Air Force and now has flown five missions, all but one classified. In June, 1967, a Thor booster/Burner II combination was used to place two satellites in 2,100-mile-high earth orbits. A Boeing-designed injection stage atop the Burner II guided Secor and Aurora satellites into their precise orbits.

In December, 1967, the Air Force announced initial funding of a contract awarded to Boeing for modification of a Burner II upper-stage and integration of 10 research satellites to be launched by a single Atlas/Burner II space booster. In mid 1968 the booster will place its payloads in several earth orbits in the second mission of the Defense Department's Space Experiments Support Program.



MILITARY PRODUCTS

Boeing military products served United States air, ground and naval forces in Viet Nam and in a variety of other ways during the year. In Viet Nam, B-52 bombers, KC-135 tankers and C-135 transports were operated by the Air Force, while both land and sea forces utilized Vertol helicopters. Minuteman missiles continued to form the United States' principal unmanned deterrent force against global warfare.

The Vertol Division made the largest military contribution to the company's sales during the year, accounting for approximately 14 per cent of gross sales. The bulk of its sales were of the CH-47B (Chinook) and CH-46 (Sea Knight). The Chinook A, used by the Army in Viet Nam, amassed 120,000 flight hours, moving 640,000 tons of cargo and just over 1.2 million passengers. In addition, more than 1,600 disabled aircraft were recovered. Sea Knights, used by the Navy and Marines, flew more than 40,000 combat hours.

First B model Chinooks, with 50 per cent more load-lifting capability and 40 per cent more speed than the A versions, were ready for deployment to Viet Nam at year end. First flight of a still further advanced Chinook, the C model, was made in October, and deliveries are scheduled to begin in March, 1968. This will increase payload another 25 per cent.

Due to severe and prolonged combat use, Sea Knights experienced some operational problems during the year. In September, modifications better to equip the aircraft for combat conditions were undertaken. This work was completed by year end, ahead of schedule, and all aircraft were returned to service.

The Vertol Division also is developing designs for advanced helicopters and pursuing research on

short-takeoff and combination vertical and short-takeoff aircraft.

The company's long and successful Minuteman intercontinental ballistic missile assignment was extended again during 1967 to cover system integration on Minuteman III, a more powerful and versatile model of the solid-fuel weapon, with an enlarged third stage and improved guidance and control.

Minuteman number 1,000 was emplaced, bringing the force to its originally planned strength. Force modernization (replacing Minuteman I missiles with the Minuteman II version) was completed at the Missouri missile complex and started in Montana.

Just one year after award of a contract for the design, development and evaluation of SRAM, the Air Force's new short-range, supersonic attack missile, prototype hardware for all parts of the weapon system had been produced and was in test. First drop of a dummy SRAM from the bomb bay of a B-52 bomber was successful.

The Air Force holds firm priced options for production quantities of the missile and can exercise them in 1968 or 1969. The missile, which can carry a nuclear warhead, is designed for use with the new FB-111 bomber and with late models of the B-52. Flight testing is scheduled in 1968.

The Navy's newest hydrofoil, the PGH-2 patrol gunboat Tucumcari, was launched at Seattle and underwent high speed and rough water testing. The 71-foot vessel is driven by a gas-turbine-powered pump which spews out a jet of water at 120 tons a minute and gives the craft speeds of more than 40 knots. Boeing's submerged foil and autopilot system provides exceptional stability and maneuvering capabilities,

while the water jet propulsion offers simplicity and reliability. Boeing and another manufacturer are competing for Navy production orders.

Another military competition is for design and development of a new Airborne Warning and Control System (AWACS) for the Air Force. The Boeing study, completed during the year, uses a 707 jetliner as the airframe, with a 30-foot-diameter rotodome mounted atop the aircraft's vertical stabilizer. The rotodome houses a main surveillance radar, which is coupled with other sophisticated equipment carried aboard. The system is intended as a tactical flying command post and for use in air defense.

The Wichita Division re-delivered 483 B-52s to the Strategic Air Command after modifications by Boeing teams at airbases or in the factory. These and companion KC-135s were for use in Viet Nam and in the constant alert maintained by the Strategic Air Command from bases around the world.

An unusual project during the year involved two techniques in rapid site preparation developed for the U.S. Marines. One process involves mixing a layer of soil with resins which cure to form a rigid surface over which heavy vehicles may operate. In the other technique, which Boeing calls Minute Mat, a special machine unrolls a fiberglass mat on loose ground such as beach sand. This is sprayed with two interacting resin solutions. As the resin cures, it bonds not only to the mat but to the layer of soil underneath. With either technique, a usable surface can be made available in less than two hours for emergency military roads or landing pads for helicopters. Possible commercial applications are being investigated.



U.S. Army's Chinook helicopters carry combat troops into battle, evacuate wounded. Chinooks have flown more than 120,000 hours, lifted million passengers.

Hydrofoil gunboat Tucumcari, propelled by water jet, reaches speed of more than 40 knots on submerged foils. Foils are controlled by an auto pilot.



BOEING PEOPLE

During 1967, Boeing employment increased by more than 12,000 persons. Accelerated production and new programs on tight schedules made heavy demands on the skills and stamina of many, from the newest to the growing ranks of long-term workers. By mid year, the work force of 145,000 included more than 2,500 men and women with over 25 years of service each.

The long-standing policy of equal opportunity in employment, training and upgrading, without regard to race, color or religion, continued to be emphasized. More than 95,000 individual on-the-job training courses, totaling 1½ million man-hours, were given. Thirty-five thousand employees participated in off-hour training courses at schools and universities.

The company now employs more than 23,000 scientists and engineers, one of the world's largest privately employed engineering staffs. Each year, Boeing hires about 3 per cent of all the newly graduated U.S. engineers.

The U. S. Air Force in 1967 presented the company its Award of Achievement for employee participation and reaching of quality goals in the Zero Defects program. Individual achievement awards were given by the company to 1,500 employees in the Aerospace Group and 2,100 in Vertol. In the Commercial Airplane Division, 151 work groups representing 7,600 employees received recognition for outstanding work in the "Pride in Excellence" program.

During the year, the Boeing work force at the new 747 facility in Everett increased from 400 persons to 5,000. Payroll at the Central Fabrication Facility at Auburn, Washington reached 13,600. Some 11,000 were assigned to the Boeing Space Center at Kent. At Wichita, employment was approximately 17,500 at year end, and at the Vertol Division's Pennsylvania plants, 13,000. More than 16,000 persons were employed at other locations.



Boeing's 23,000 engineers and scientists comprise one of the world's largest privately employed staffs.

Stiffener for 727 wing panel is shown in typical spar mill at Commercial Airplane Division factory.



ECONOMIC IMPACTS

The impact of Boeing projects on the national economy and in international relations is increasing steadily. More than 55 per cent of every sales dollar received by the company is spent in procuring supplies or for subcontracted work, which involves firms in 49 states, the District of Columbia and several nations. During 1967, contracts amounting to more than \$1.63 billion were let to some 20,000 companies, 73 per cent of which are classified as small businesses, generally with less than 500 employees each.

On the 747 program, approximately 65 per cent of the airframe, by weight, is being built by firms other than Boeing, while SST plans call for 69 per cent of the prototypes to be subcontracted, at an expenditure of \$290 million. At peak production subcontractors on the 747 program are expected to assign approximately 25,000 employees to the project. Financially, the 747 program (on a basis of 200 airplanes) will represent business for 50 states and seven foreign nations, with \$860 million to be expended in California, \$514 million in Connecticut, \$424

million in New York, \$190 million in Texas, \$149 million in Oklahoma, \$140 million in Kansas, \$149 million in Ohio and \$105 million in Arizona. Wisconsin, Maryland, Massachusetts and Oregon will receive more than \$50 million each.

The company consistently maintains an open-door policy through which prospective suppliers, large and small, are given opportunities to compete on Boeing projects.

In addition to sub-contracting, the company's programs now require cooperation throughout the divisions. The Wichita Division, once oriented mainly to military projects, now devotes 75 per cent of its effort to commercial programs: Body sections, tail structures, rudders and elevators for the 737 twin-jet; the forward fuselage section for the 747; various components for the 707/727 jetliners; center sections of Sea Knight helicopters and parts for Chinooks; modification programs for the Model 720 airliners; test and analysis assignments for the SST. The Vertol Division also is building 747 parts.

Meanwhile, the Wichita Division has maintained its interest in the

B-52 bomber through modification and fleet surveillance work, as well as integration engineering on the SRAM missile program.

The company maintains an aggressive sales program directed to foreign nations and airline operators. In 1967, foreign sales of \$390 million contributed to the favorable side of the U. S. balance of trade.

In Japan, the Kawasaki aircraft corporation continues to build military and civilian helicopters under Boeing license; while in Germany, Bolkow GmbH, an aerospace company in which Boeing holds a one-third interest, has declared its first dividends for its owners. Alinavi, S.p.A., an Italian joint venture in which Boeing holds a 60 per cent interest, continues to push for development and sale of military hydrofoils in Europe. Boeing International Corporation, a wholly owned subsidiary of the company, now maintains offices in Paris, Munich, Bad Godesberg (Germany), London, Rome and Tokyo to keep the company alert to new international opportunities. In addition, the company maintains sales offices in Geneva and Beirut.



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CRAWFORD H. GREENEWALT



H. W. HAYNES



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LYSLE A. WOOD
Group Vice President—Aerospace

JOHN O. YEASTING
Senior Vice President, Director

Burner II, lifted by Atlas rocket in summer of 1968,
will launch 10 research satellites into earth orbit.

The Boeing Company is composed of an administrative headquarters organization and five operating divisions of which two are incorporated in a Group administration. Headquarters, the Space Division and Missile and Information Systems Division of the Aerospace Group and the Commercial Airplane Division are located in the Seattle, Washington area. The Wichita Division is located in Wichita, Kansas, and the Vertol Division is in the Philadelphia, Pennsylvania area.

The Commercial Airplane Division is composed of a central organization and several branches. The Renton Branch produces 707, 720 and 727 aircraft. The Seattle Branch produces the model 737. The Everett Branch is producing the 747. The Supersonic Transport Branch will develop and build the SST prototypes. The Auburn Branch comprises a central fabrication facility serving all other company operations in the Seattle area.

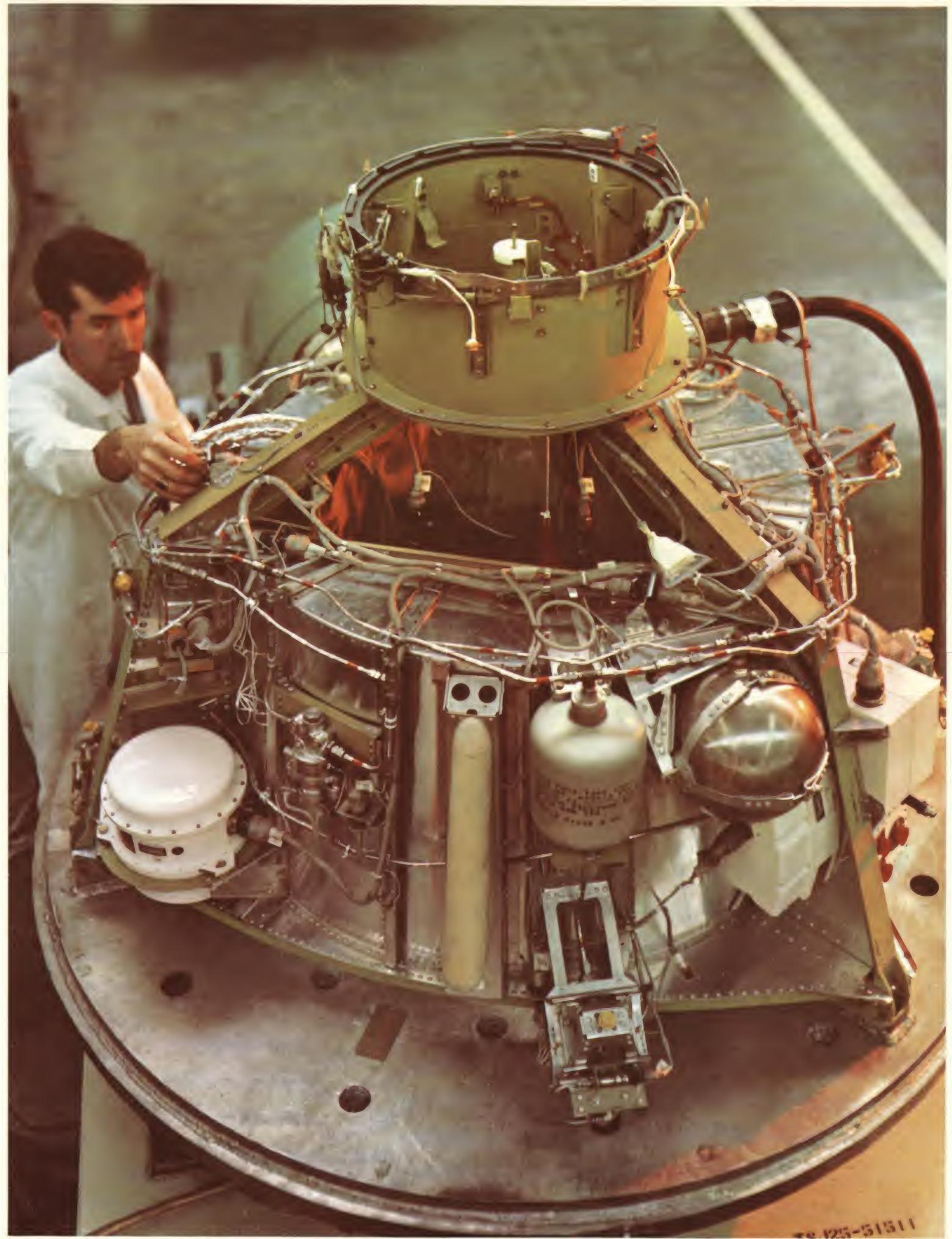
The Space Division's Launch Systems Branch conducts its principal operations in New Orleans, Louisiana; Huntsville, Alabama and The Boeing Atlantic Test Center at Cape Kennedy, Florida. Space Division personnel also are stationed at Washington, D. C., and Houston, Texas, and the Space Craft Programs operation is at Kent, Washington.

The company has three wholly owned subsidiaries — Boeing of Canada, Limited, located in Arnprior, Ontario; Boeing International Corporation, and Boeing Financial Corporation. The latter two have principal offices in Seattle.

GENERAL COUNSEL	HOLMAN, MARION, PERKINS, COIE & STONE
GENERAL AUDITORS	TOUCHE, ROSS, BAILEY & SMART
TRANSFER AGENT	FIRST NATIONAL CITY BANK, NEW YORK CITY
REGISTRAR	BANKERS TRUST COMPANY, NEW YORK CITY

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